



Discovering Fresh Graduate Employees' Perception of Basic Salaries

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Abstract

There are many factors that lead to the variation of basic salaries among fresh graduate and employees. The need for basic salary varies according to the responsibility of an employee. The variation of basic salary not influenced by the need of the employees, it rather depends on the working skills and experiences. This study focuses on the factors towards the perception of fresh graduate employees on the basic salary based on the factors of cost of living, qualification, responsibility, and scope of work. The data were collected from Maxis employees in Kuala Lumpur, Malaysia. The findings revealed that all factors were positively correlated to the perception towards basic salaries among fresh graduates. Somehow, the perceptions on their basic salaries are significantly influenced only by the cost of living and scope of work, positively. Employees have a high expectation on basic salaries if the cost of living is getting higher. This may encourage some employees to get a new job with a better offer because they believe that more skills and experiences will lead towards a better job with a higher salary.

Keywords: fresh graduate; basic salaries; employees

1. Introduction

The issue of starting salary is one of the current issues discussed about among fresh graduates. In relation to this, Malaysian government likewise partakes to tackle this issue as it was added as a part of the "Bajet 2019" (Su-Lyn, 2018). Numerous studies have been directed to distinguish the genuine amount being paid to fresh graduates according to the current financial scale. Furthermore, numerous views of this issue focusing on the starting pay among fresh graduates are identified with numerous factors (Foo, 2018). Malaysia's former Minister of Finance, Lim Guan Eng recommends that minimum wage be expanded to RM1,100 all through Malaysia starting Jan 1, 2019 (Ramasamy, 2018). The minimum wage is focused at poor people and those without capabilities, and not intended to be utilized as the pattern to structure beginning pay rates for job seekers with qualifications (Zahidi, 2018). In Malaysia, the minimum wage alludes to least growth wage every month and it does not make a difference to students and domestic workers.

The Khazanah Research Institute conducted a survey and found that many graduates' expectations for salary was around RM2,500 and diploma holders expected salaries of RM2,000 per month. This starting salary for fresh graduates will enable them to meet the living costs in cities, reduce their frustrations and enhance job performance (Ismail, 2018). This is because, Bank Negara Malaysia stated in a cost of living report released earlier this year that RM2,700 is the minimum needed to "survive" in the country's major cities. The Malaysian Trade Union Congress, on the other hand, argued that a starting salary of RM3,000 is reasonable by today's standards (Zahidi, 2018). Similarly, from fresh graduates' point of view, they said that salary of RM3,000 per month is a reasonable number because they needed to meet their daily expenses for food, rent, transportation, and for savings as well. Satisfactory salaries will lessen turnovers which will benefit the employees and employers. Malaysian Trades Union Congress (MTUC) secretary-general J Solomon also agreed that their asking salary of RM3,000 was understandable, considering the current cost of living for fresh graduates included the repayment of student loans. However, Malaysian Employers Federation (MEF) executive director Shamsuddin Bardan said that those starting amounts would be more suitable for those fresh graduates with a master's degree. (Asia, 2017).

Fresh graduates frequently face difficulties during their transition period from their undergraduate life to the career world. Scarcely any people can locate their ideal jobs without any problem. The issue of starting pay is one of the current issues being examined among most graduates. Numerous studies have been carried out to recognize the genuine sum being paid to graduate equivalents to the current financial scale. Furthermore, numerous perceptions related to this



issue of the starting pay among new graduates are identified with several contributing factors (Foo, 2018). Therefore, the current study was conducted in order to explore the relationship between significant factors (cost of living, qualification, responsibility, scope of work) and the perceptions of graduates towards their starting pay.

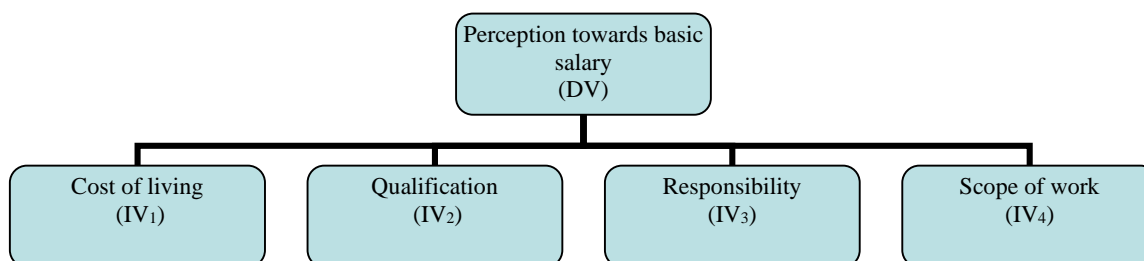


Figure 1: Proposed Research Model

There are numerous articles, journals, analyst reports and different distributed materials accumulated from the web sites that identify with the basic salary information. Considering the data and information gathered, and discussions from previous sections, the research model was proposed. Based on figure above, this study proposed the following hypotheses based on the past studies above: H1: There is a relationship between the cost of living and graduates' perception on the basic salary. H2: There is a relationship between responsibilities carried by graduates and graduates' perception of the basic salary. H3: There is a relationship between qualifications of education and graduates' perception of the basic salary. H4: There is a relationship between scope of work and graduates' perception on the basic salary.

2. Literature Review

a) Cost of Living

The 'cost of living crisis' is currently a primary issue among most individuals, including fresh graduates. Regardless of whether the the cost of living is an issue or not, it relies upon what is going on to individuals' wages (Bourne, 2014). When the cost of living goes up by a specific rate, employers likewise need to build employees' salaries by a similar rate. In any case, salary increments are generally founded on the official consumer price index (CPI) figures. It is generally known that the CPI does not reflect real typical cost of living (Lo, 2017). At that point, should not something be said about the salary of the individuals without any qualification and what about the inflation rate?

b) Qualification

Qualifications include an individual's education level and other soft skills, for example, the ability to communicate and commitment for the jobs. Generally, levels of education have a positive, changeless and direct relationship with salaries; this implies, *ceteris paribus*, the higher the level of education of the employees, the higher the income. Education is basic to the economic development of a nation, key to accomplishing a general public with equivalent chances and permitting individuals to accomplish a sufficient living quality (Linares, 2015). While those procuring master's, doctoral, or professional degrees despite everything acquires more during their professions than those with less education, the gap is getting smaller, as indicated by The College Payoff, a report by the Georgetown University Center for Education and the Workforce (Burnsed, 2011). The research from Office For National Statistics, UK centers around employees aged between 22 to 64 on the grounds that the vast majority have finished their full-time education by these ages expressed that, individuals with the highest level of education will in general earn more, nonetheless, the salary gap between employees with a GCSE or other proportionate levels with those of a higher level of education was lower in 2010 than in 1993.

c) Responsibility

Responsibility is one of the elements that influence graduate's recognition on the starting pay. When they first initiated their career, graduates for the most part would draw to neighbourhood closer to their workplace. Moving out and living autonomously implies assuming liability for the expenses of regular living, yet what precisely are those expenses? (Body, 2018). General expenses that are brought about when beginning living alone are house rental and store, utilities including water and electricity, foods, transportation, internet connection and personal hygiene items (Mint 2016). Fresh graduates also have an extra responsibility which is to settle a scheduled installment for the student loans they took during undergraduate period (Murray, 2017).



d) Scope of Work

Industry, or the types of employers, strongly influences starting salaries. Accountants and auditors who work in the securities and accounting/bookkeeping administrations generally earn more. The medical and traveller accommodation industries will in general pay accountants less, as per the BLS. An employer's financial status may likewise influence employees' starting pay, as per the Missouri Society of Certified Public Accountants (MSCPA). Bigger organizations with more capitals may have the option to pay for more than a littler business. A few organizations structure their positions uniquely in contrast to other people. On the off chance that the employees have more dynamic duties, they are probably going to procure more (Akers, 2019). Commonly, more experience brings about more significant compensation. Likewise, if the position calls for somebody with 10 years of involvement with work, and the applicants do not satisfy those conditions, they may wind up on the lower end of the salary scale.

3. Methodology

The population of this survey was Maxis employees in Kuala Lumpur, Malaysia. The sample was randomly chosen using stratified sampling. The data were collected using an online questionnaire. The questionnaire was developed in six sections consisted of demographic profile, cost of living, qualification, responsibility, scope of work and perception towards the basic salary. Five-points Likert scale of 1 to 5 items were constructed for each independent and dependent variable in the study. Scale 1 referred to strongly disagree while 5 referred to strongly agree. The collected data were analyzed using SPSS and the method used in this study was descriptive, correlation and multiple regression analysis. Reliability test was done prior to ensure items measuring each variable were reliable.

4. Results and discussion

Only 151 respondents involved in this study. 64.2% of the respondents were female and a majority of them were 21 to 25 years old (41.4%). 38.4% of them were working with diploma qualification, 48.6% with bachelor's degree qualification and the rest were with master and PhD qualifications. 28.5% of them worked with salary between RM1,000 to RM1,500, 41% between RM1,500 to RM3,000 and 30.5% were between RM3,001 and more.

Reliability Test

Table 1 shows the result of reliability test for each variable. All Cronbach's alpha values are greater than 0.70 indicated that the items for a particular variable are reliable.

Table 1: Cronbach's alpha value of variables

Variable	Number of items	Cronbach's alpha value
Cost of living	5	0.808
Qualification	5	0.830
Responsibility	5	0.781
Scope of work	5	0.813
Basic salary	5	0.711

Descriptive Analysis

Mean scores for each variable are shown in **Table 2**. All the variables have a mean score above 3.5.

Table 2: Summary of the mean of variables

Variable	Mean	SD
Cost of living	4.37	0.579
Qualification	3.99	0.689
Responsibility	4.27	0.563
Scope of work	4.11	0.596
Perception	4.12	0.579



Cost of Living

From the mean scores, they agreed that rising cost of living is a major concern for Malaysians especially graduates who want to start their own life such as paying for rental, housing or car loans ($M = 4.49$, item 1), rising cost of living gives impacts to many people struggling to pay for basic essentials ($M = 4.47$, item 2), government should increase the basic salary to help lessen financial burden of graduates equivalent to the standard of living ($M = 4.44$, item 3), graduates should do a part time job such as doing online business to increase income as the cost of living is higher ($M = 4.12$, item 4), inflation will occur if the cost of living keeps rising but the amount of salary remains unchanged ($M = 4.35$, item 5). The result also indicated that most graduates agreed that basic salaries give a positive cost of living for themselves.

Qualification

Positive outcomes on basic salaries of the graduates that were satisfied with their jobs ($M = 3.94$, item 1), their job is related to the course that they graduated in ($M = 3.83$, item 2), their company pays their salary based on their education level ($M = 3.87$, item 3), qualifications such as level of education and experience are important to get a good salary ($M = 4.19$, item 4), it is important to have a high level of education to get a better job ($M = 4.14$, item 5).

Responsibility

Most of the respondents agreed that their responsibility increases when they start working and living independently ($M = 4.50$, item 1), they are aware of their new responsibilities when they start working and living on their own ($M = 4.36$, item 2), they pay for their own expenses using their own salary ($M = 4.33$, item 3), most of their salary is spent on their daily expenses ($M = 4.19$, item 4), they set up a daily or monthly budget for their expenses ($M = 3.98$, item 5).

Scope of Work

From the mean scores, they agreed that the scope of work will intensely affect basic salaries ($M = 4.15$, item 1), if we are involved in decision-making responsibilities, we will likely get a higher pay ($M = 3.93$, item 2), larger companies are able to pay more salary ($M = 3.98$, item 3), experience is important in determining the salary scale ($M = 4.12$, item 4), experience can make an employee expert in their job or scope of work ($M = 4.36$, item 5).

Perception towards basic salary

A majority of the respondents agreed that the cost of living depends on current economic situations ($M = 4.36$, item 1), graduates with higher qualification have a higher salary ($M = 4.06$, item 2), the basic salary is enough to fulfil their responsibilities ($M = 3.58$, item 3), living in city areas requires more income than living in rural areas ($M = 4.36$, item 4), graduates demand for higher salary when the level of risk is higher ($M = 4.26$, item 5).

Correlation Analysis

Correlation analyses were carried out to examine the strength of the relationships among the independent variables which are cost of living, qualification, responsibility, living area and scope of work.

Table 3: Correlation coefficient between independent and dependent variables

	Cost of Living	Qualification	Responsibility	Scope of Work
Perception towards basic salary	0.548** p < 0.000	0.471** p < 0.000	0.390** p < 0.000	0.615** p < 0.000

As shown in **Table 3**, it can be seen that there is a significant moderate correlation between the perception of graduates' views of cost of living based on their basic salaries ($r = 0.548$, p-value < 0.000), graduates' qualification based on their basic salaries ($r = 0.471$, p-value < 0.000), the responsibility ($r = 0.390$, p-value < 0.000), and the scope of work of graduates ($r = 0.615$, p-value < 0.000). Hence, it can be concluded that all independent variables (cost of living, qualification, responsibility, living area and scope of work) are significantly correlated to the dependent variable (perception towards basic salary). Therefore, the hypotheses proposed in this study (H1 to H4) are accepted.



Multiple Linear Regression

Table 4 indicates that the regression model is significant ($F(4,146) = 30.044$, $p\text{-value} < 0.05$). This could be concluded that a statistically significant difference was found between the graduates' perception on their basic salary.

Table 4: Summary of Regression Results ANOVA

	Sum of Squares	df	Mean Square	F	Sig
Regression	22.673	4	5.668	30.044	0.000
Residual	27.546	146	0.189		
Total	50.219	150			

The result in **Table 5** revealed that the multiple correlation coefficients were 0.672. This value is high and is suggested that the independent variables have sufficient influence on the perception of graduates on their basic salary. It shows that 45.1% of variation in basic salary perception is explained by the factors in this study.

Table 5: Summary of Regression Result R^2

R	R^2	Adjusted R^2	Std. Error of the Estimate
0.672	0.451	0.436	0.434

According to **Table 6**, only cost of living ($t=3.560$, $p\text{-value} < 0.05$) and scope of work ($t=4.705$, $p\text{-value} < 0.05$) significantly contribute to the perception of graduates on their basic salary. It can be concluded that graduates' perception on their basic salary increases when cost of living and scope of work increase, holding other variables constant. However, qualification and responsibility did not significantly affect the perception towards the basic salary.

Table 6: Regression Results (coefficient)

	B	Std Error	Beta	t	Sig
Constant	1.045	0.315		3.323	0.001
Cost of Living	0.296	0.083	0.296	3.560	0.001
Qualification	0.121	0.063	0.144	1.924	0.056
Responsibility	-0.072	0.084	-0.070	-0.862	0.390
Scope of Work	0.392	0.083	0.404	4.705	0.000

5. Conclusions

The findings of this study revealed that all factors were positively correlated to the perception towards basic salary among fresh graduate employees. Somehow, the perceptions on their basic salaries are significantly influenced only by the cost of living and scope of work, positively. Employees have a high expectation on their basic salary if the cost of living is getting higher. This may encourage some employees to get a new job with better offers because they believe that more skills and experiences will lead to a better job with a higher salary.

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